The NCUA Report

January 2010
Number 1
National Credit Union Administration

NCUA's Board welcomes you to our new newsletter

This is our New Year's Resolution: to provide credit unions with more timely, relevant reports from the National Credit Union Administration.

Our new monthly newsletter, *The NCUA Report*, will include unique new features exclusively from your federal regulators:

- Perspectives from all three NCUA Board members;
- Interviews and answers to frequently asked questions about new regulations and policies;
- Updates from NCUA Central Offices on issues and trends impacting credit union operations;
- Rotating reports from NCUA Regional Offices focusing on field-level views of conditions credit unions are facing;
- Previews of upcoming events.

The NCUA Report will go further in depth than the agency's past newsletters. And it's still free of charge.

For your convenience, *The NCUA Report* is posted online at **www.ncua.gov** under *News and Publications/News/Newsletters*. Let us know if you prefer to read it online, and we'll save trees by sparing you a paper copy.

Either way, please tell us what you think about this inaugural issue. E-mail comments, questions or suggestions to **ncuareport@ncua.gov**.

Proposed Corporate Rule FAQs

General Counsel Robert Fenner addresses corporate proposal questions

Does the new proposed rule dictate the form of the future corporate credit union system?

No, the proposed rule does not dictate the form of the future corporate system. The rule is designed to establish a safety and soundness framework. The rule would impose strengthened capital standards, investment concentration limits, and improved asset liability management requirements. The rule would also require greater accountability and transparency, on the part of corporates, to the natural person credit unions that they exist to serve. With this framework in place, natural person credit unions will decide whether and to what extent they will support and make use of the corporates in the years to come, and what form the corporate system will take.

Does this new proposed corporate rule take care of all bad assets on corporate credit union books?

The rule does not take care of the bad assets. NCUA is working diligently on a parallel track to determine the best resolution of the bad assets. We recognize that credit unions should not and will not recapitalize a corporate credit union with looming credit losses that exceed existing capital. NCUA hopes to announce plans in the near future for resolution of this "bad assets" dilemma. For purposes of commenting on the proposed rule, credit unions should assume a corporate balance sheet that does not include any assets likely to take additional significant losses.

How does the new rule help ensure that corporates won't take on more risk and cause additional losses to the credit union system in the future?

The rule proposes new capital standards, both leverage and risk-weighted, comparable to the international standards for other financial institutions. The rule establishes a prompt corrective regime for corporates that do not meet these standards. The rule prohibits certain specific investments that have proven to be high risk and of little value to corporate credit unions. The rule requires

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HIGHLIGHTS

Chairman's Corner

Taking burdensome guesswork out of community charters

One of my top priorities since returning to NCUA has been to refocus our field of membership rule so there will be no question about what constitutes a community.

For more than 10 years since passage of the Credit Union Membership Access Act, NCUA struggled to clearly define the rule for community charters. The challenge has been to balance Congress' intent to provide opportunities for new credit union members while complying with statutory language that requires a "well-defined local community."

There were no defined population limits. There were no differentiations between urban and rural communities. And, there were no hard and fast rules for community interaction.

As a result, federal credit unions applying for community charters have been tasked with providing reams of information—hundreds of pages long—in order to demonstrate evidence of a community.

To me, it doesn't seem right that credit unions should have to spend their time and money trying to meet subjective evidence of a community—money and time that can and should be spent serving members.

October 22, 2009, NCUA Board Room—NCUA Chairman Debbie Matz holds a 775-page binder, weighing over 10 pounds, to demonstrate the voluminous amount of information required to substantiate application for a community charter conversion.

Other government agencies have developed criteria to objectively define communities to meet a wide variety of goals. These objective measures take the burdensome guesswork out of applications for government programs.

It is time for NCUA to do likewise. For the first time, we are proposing specific definitions for communities based on nationally recognized measures.

You can comment on our new proposed field of membership rule through March 1, 2010. The proposal is online at **www.ncua.gov** under *Resources/Regulations, Legal Opinions and Laws/Proposed Regulations.*

Defining community

Urban & suburban communities

For urban and suburban communities, multiple jurisdictions in a geographically certain area would be considered a community if they fall within a single Metropolitan Division. The U.S. Office of Management and Budget (OMB) has found that each Metropolitan Division functions as a distinct social, economic and cultural area.

We propose a population limit of 2.5 million because OMB generally designates a Metropolitan Division within a "core-based statistical area" that has a core of at least 2.5 million people. This well-established OMB designation is a logical threshold for a community with sufficient interaction among multiple jurisdictions.

Rural communities

Rural communities may cover more land mass, but are less densely populated. We propose to define a "Rural District" as a contiguous area with a majority of its population in rural census blocks and a total population of up to 100,000.

I understand the U.S. Department of Agriculture (USDA) breaks down Rural Districts into smaller areas. USDA defines "rural" as a community with 50,000 people in order to focus their grants on truly rural areas.

While a 50,000 limit may fit another agency's purpose, our purpose is to facilitate chartering safe, sound credit unions. I believe our proposed limit of 100,000 represents an appropriate balance. It would ensure that a Rural District's population is fairly small, yet large enough to support a full-service credit union. Plus, in especially remote areas, this definition would help credit unions serve a good number of future members in Rural Districts that currently have few financial services options.

Grandfather provisions

Some community charters granted in the past would not meet the proposed criteria.

We propose that if another credit union has the ability to serve a particular community, they should be allowed to apply for it—even if the community does not meet our new standard. NCUA is proposing this because we have concluded that no credit union should have a permanent monopoly on a field of membership.

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NCUA INSIGHTS

NCUA News is published by the National Credit Union Administration, the federal agency that supervises and insures most credit unions.

Debbie Matz, Chairman
Christiane Gigi Hyland, Board Member
Michael E. Fryzel, Board Member

Information about NCUA and its services may be secured by contacting 703-518-6330.

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BOARD *ACTIONS* December 17, 2009

CHARTERING POLICY REVISIONS RECOMMENDED

The NCUA Board issued a proposed amendment to *NCUA Rules and Regulations Part 701* to revise the *Chartering and Field of Membership Manual*, *IRPS 09-01.*

The revisions to the agency's community chartering policies define what constitutes a local community based on objective, quantifiable criteria. The revisions also define the term "rural district." In addition, IRPS 09-01 clarifies NCUA's marketing plan requirements for credit unions converting to or expanding their community charters, and it defines the term "in danger of insolvency" for emergency merger purposes.

The proposal was issued with a 60-day comment period. Between today and the effective date of the final rule, NCUA will accept community charter applications based only on single political jurisdictions and other areas NCUA previously determined are local communities. NCUA will accept all community charter applications based on any permitted criteria after the final rule becomes effective.

NCUA GRANTS EXCEPTION TO SECOND MORTGAGE MATURITY LIMITS

The NCUA Board finalized interim rule Section 701.21, *Exception to the Maturity Limit on Second Mortgages*, which was effective June 24, 2009. The rule provides an extension to the 20-year maturity limit on second mortgage loans. It grants a limited exception permitting federal credit unions participating in the Department of the Treasury's "Making Home Affordable Program" to modify a second mortgage loan, beyond 20 years, to match the term of a modified first mortgage loan.

NATIONAL CREDIT UNION SHARE INSURANCE FUND REPORT

On November 30, 2009, the NCUSIF reserve balance was $688.8 million for natural person credit unions, up from the 2008 year-end NCUSIF reserve balance of $278.3 million. The Temporary Corporate Credit Union Stabilization Fund reserve balance was $5.33 billion at November 30, 2009.

Federally insured credit unions have been billed $949 million to accommodate the biannual 1 percent capital deposit adjustment—$719 million for the 0.1027 percent NCUSIF premium assessment, and $333 million for the 0.0473 percent Temporary Corporate Credit Union Stabilization Fund premium assessment. The estimated year-end equity ratio of 1.27 percent reflects premium and deposit adjustments.

NCUSIF year-to-date revenue and expense includes investment income of $173.5 million, projected premium income of $718.5 million, operating expense of $121.2 million, and insurance loss expense of $546.7 million. Through November 30, 2009, NCUSIF net income was $259.4 million.

Twenty-four federally insured credit unions failed through November at a cost of $110.6 million—14 involuntary liquidations (8 became purchase and assumptions) and 10 assisted mergers.

There were 328 problem code credit unions at November 30, with shares of $40.1 billion representing 5.63 percent of total insured shares. In comparison, 271 problem code credit unions held shares of $16.3 billion representing 2.70 percent of total shares at year-end 2008.

Currently, there are 1,629 code 3 credit unions, an increase of 95 from year-end 2008. These institutions represent $94.3 billion, or 13.22 percent of total shares. In addition to diligently working to resolve the problems of code 4 and 5 credit unions, NCUA is closely tracking code 3 credit unions and striving to sustain these institutions at safe operating levels.

Board votes are unanimous unless otherwise indicated. NCUA Board meeting items are online at **www.ncua.gov** under *General Information/NCUA Board and Actions/Draft Board Actions.*

EXAMINATION AND INSURANCE REPORT

Look for upcoming *Letters to Credit Unions*

Supervising low-income credit unions and community development credit unions

NCUA is finalizing a *Letter to Credit Unions* that will share guidance being provided to examiners regarding *Supervising Low-Income Credit Unions and Community Development Credit Unions.* The guidance is based on discussions with dedicated low-income credit union management from across the nation. While the primary focus discusses characteristics, benefits and unique challenges of low-income credit unions and community development credit unions, contents of the letter are applicable to all credit unions in their continuing efforts to serve members of modest means.

NCUA recognizes there are unique challenges to supervising and examining low-income credit unions and community development credit unions. These credit unions face the same risks as other credit unions and should maintain safe and sound operations. The risk management efforts of each credit union should commensurate with the size and complexity of the institution. The guidance addresses some challenges facing these credit unions through discussions of strategic risk, credit risk and financial analysis. In addition, the guidance includes a section on preserving these credit unions. The guidance ends with an appendix explaining some resources available to low-income credit unions.

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Appearance calendar

Date: January 19, 2010
Who: Board Member Michael Fryzel
Event: NuMark Credit Union Visit
Location: Crest Hill, Illinois
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

Date: January 20, 2010
Who: Board Member Gigi Hyland
Event: Volunteer Leadership Institute
Location: Maui, HI
Contact: Jessica Vogel at **jvogel@ncua.gov** or 703-518-6318

Date: January 22, 2010
Who: Chairman Debbie Matz
Event: Town Hall Meeting
Location: Dallas, TX
Contact: Angela Sanders at **asanders@ncua.gov** or 703-518-6309

Date: January 22, 2010
Who: Board Member Michael Fryzel
Event: Town Hall Meeting
Location: Dallas, TX
Contact: Katie Supples at **ksupples@ncua.gov** 703-518-6307

Date: January 30, 2010
Who: Board Member Michael Fryzel
Event: Grand Opening of Polish and Slavic Federal Credit Union
Location: Norridge, IL
Contact: Katie Supples at **ksupples@ncua.gov** 703-518-6307

Date: February 4, 2010
Who: Chairman Debbie Matz
Event: Town Hall Meeting
Location: Orlando, FL
Contact: Angela Sanders at **asanders@ncua.gov** or 703-518-6309

Date: February 4, 2010
Who: Board Member Gigi Hyland
Event: Town Hall Meeting
Location: Orlando, FL
Contact: Jessica Vogel at **jvogel@ncua.gov** or 703-518-6318

Date: February 4, 2010
Who: Board Member Michael Fryzel
Event: Town Hall Meeting
Location: Orlando, FL
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

Date: February 9, 2010
Who: Chairman Debbie Matz
Event: Western States Volunteer Conference
Location: Las Vegas, NV
Contact: Angela Sanders at **asanders@ncua.gov** or 703-518-6309

Date: February 22, 2010
Who: Chairman Debbie Matz
Event: CUNA's Government Affairs Conference (GAC)
Location: Washington, DC
Contact: Angela Sanders at **asanders@ncua.gov** or 703-518-6309

Date: February 22, 2010
Who: Board Member Michael Fryzel
Event: CUNA's Government Affairs Conference (GAC)
Location: Washington, DC
Contact: Katie Supples at **ksupples@ncua.gov** or 703-518-6307

SUZE ORMAN HIGHLIGHTS CREDIT UNION CREDIT CARDS

Renowned personal finance expert Suze Orman has a *Good Credit Unions* Webpage with a growing list of credit unions offering economical credit cards and an explanation of why credit union credit cards are a good deal for consumers.

Online at **www.suzeorman.com** under *Resource Center/Good Credit Unions*, "**credit card connection**" notes that only credit unions offering "fair and ethical credit card programs are included. Listed credit union earns up to 5 stars based on the following criteria:

- Rates 18 percent and under;
- No Balance Transfer Fees;
- Late Fees $25 and under;
- No Penalty Rates; and
- No Annual Fee.

Orman urges credit unions to visit the website and become part of free, online "**credit card connection**," which may be highlighted on an upcoming Suze Orman show. Orman's goal is to list at least one credit union serving every community so consumers have convenient access to a credit union that offers an affordable credit card.

PERSPECTIVES

Resolute New Year

FROM GIGI HYLAND

The first month of each New Year is famous (perhaps infamous is a better word) for the resolutions we all make—live a healthier lifestyle, exercise more, volunteer at the local food pantry, learn Spanish, and on and on. The good intentions and eagerness of early January often wane and wither by month's end. So, rather than have a whole list of resolutions, perhaps the trick is simply to be resolute.

The adjective "resolute" is defined as "having or showing a fixed, firm purpose; determined; unwavering." What does this have to do with credit unions, you may ask?

Well, we know that 2009 was daunting, to say the least. We're fairly certain that 2010 will also be tough. Despite the economy, despite the housing market, despite the corporate stabilization efforts, credit unions always had and still have a "fixed, firm purpose"—to serve their members.

Now, more than ever, credit unions must not waver from that mission of service. I'm convinced that the need to be resolute in that mission is greater today than it has ever been. Remember "not for profit, not for charity but for service"? Recommit your credit union to that motto. For credit unions, this year and every year is about the people who need you —from the consumer who needs help getting his revolving debt under control, to the high school student who needs a student loan to go to college, to the small business owner who needs a business line of credit and checking account for paying employees.

The seven cooperative principles for credit unions—voluntary membership; democratic control; members' economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community—can and should continue to be the cornerstones upon which credit unions base each year's operating plan. Be resolute in your mission of service because it is that fixed, firm purpose which distinguishes you from all other financial service providers.

Have a Happy and Resolute New Year!

Turning the Page to 2010

FROM MICHAEL E. FRYZEL

With 2009 behind us, there is little doubt the economic crisis put regulators, credit unions and the financial services community in the midst of a difficult, complicated journey. As we turn the page to 2010, the industry will continue to face significant challenges both in regulatory and legislative arenas. As we embark on the challenges that impact the future of the cooperative movement, it is important we continue to hear ideas, input and solutions from you. While on the NCUA Board, I have consistently communicated to staff that we must be open to any ideas as long as they are legal, reasonable and realistic. That message still holds true today.

In visits to credit unions and many meetings with those involved in the cooperative system at all levels, I notice a shared commonality. While viewpoints are vast, from what has been done in the past to what should be done in the future and to who is or is not to blame for leading us to where we are today, all viewpoints are communicated with passion and a strong desire to secure a stable, sound position for credit unions in the future.

As we move forward, whether the discussion regards corporate rulemaking, member business lending, alternate sources of capital, or other regulatory or legislative tools, one thing that cannot be overlooked is a core principle of the cooperative system, service to credit unions members. Success comes from serving members. While we can be distracted by bigger issues, the real credit union story is what is being done for members and how services and activities are achieved daily for the consumers who make credit unions their financial institution of choice.

As your Board member, I reiterate that my door is always open to listen to your ideas and input about how together we can maintain a safe, strong credit union industry. Moving forward, it is imperative we continue to forge open lines of communication and dialogue.

As we turn the page to 2010, I look forward to continuing to work with Chairman Matz and Board Member Hyland on behalf of credit unions and the 90 million members that you serve. 2010 will bring new issues, and as we met the challenges of 2009 together we must be prepared to do so again.

ASSET LIABILITY MANAGEMENT ADVICE

Managing for interest rate risk in today's environment

Current financial market and economic conditions present significant risk management challenges to credit unions of all sizes. In the current environment of historically low, short-term interest rates, it is important for credit unions to have robust processes for measuring and, where necessary, mitigating exposure to potential increases in interest rates. In today's environment, funding longer-term assets with shorter-term liabilities can generate earnings but also pose risks to credit union net worth and earnings.

Credit unions should have sound risk management practices in place to measure, monitor and control interest rate risk (IRR) exposure.

Credit unions should have sound risk management practices in place to measure, monitor and control interest rate risk (IRR) exposure. Credit unions should manage IRR exposure using processes and systems commensurate with earnings and net worth levels, complexity, business models, risk profile, and scope of operations. Effective IRR management is particularly important for credit unions experiencing downward pressure on earnings and net worth due to lower credit quality and market illiquidity.

An effective IRR management process encompasses sound corporate governance practices, policies and procedures, risk measuring and monitoring systems, stress testing, and internal controls related to a credit union's IRR exposure. It not only involves identifying and measuring IRR, but also addresses appropriate actions needed to control risk. If a credit union determines that core earnings and net worth are insufficient to support IRR levels, it should take steps to mitigate exposure.

The board of directors is ultimately responsible for risks undertaken by a credit union—including IRR. As a result, boards are reminded they should understand and be regularly informed of the level and trend of IRR exposure. Senior management is responsible for ensuring that board-approved strategies, policies and procedures for managing IRR are appropriately executed within designated lines of authority and responsibility. Management also is responsible for maintaining systems and standards for measuring IRR, including procedures for updating IRR measurement scenarios and key underlying assumptions driving IRR analysis, for providing sufficiently detailed information reports to senior management and the board, and for promulgating effective internal controls.

The adequacy and effectiveness of a credit union's IRR management process, and the level of its IRR exposure are critical factors in NCUA's evaluation of a credit union's sensitivity to changes in interest rates and net worth adequacy. Examiners will consider other factors, such as the size of the credit union, the nature and complexity of its activities, and the adequacy of its level of net worth and earnings in relation to its overall IRR profile. Material weaknesses in risk management processes or high levels of IRR exposure relative to net worth require corrective action.

LETTERS TO CREDIT UNIONS from page 3

Risks in business lending and sound risk management

NCUA is also finalizing a Letter to Credit Unions on *Current Risks in Business Lending and Sound Risk Management Practices.* The letter summarizes applicable guidance and regulations issued by NCUA and other federal regulatory agencies. The guidance, which emphasizes appropriate methods for evaluating and managing risks in business lending, should be reviewed by all credit unions offering business loans, or those interested in getting involved in business lending.

With rapid growth in business lending, the letter encourages credit unions to review the adequacy of their net worth position along with the risk exposure from business loans to ensure safe and sound growth. Since business lending has unique characteristics and more complex variables than consumer lending, risk management practices should commensurate with the level and complexity of loans granted. The guidance addresses risks in business lending that should be considered and the key elements of an effective risk management process. The guidance also discusses actions credit unions can take to help manage through changes in market condition.

NCUA Regulatory Alert, No: 09-RA-16—This Regulatory Alert provides recent Financial Crimes Enforcement Network's (FinCEN) guidance issued to assist credit unions determine whether a member is eligible for exemption from currency transaction reporting (CTR) requirements.

Bank Secrecy Act (BSA) regulations require credit unions to file a CTR on any currency transaction over $10,000. The regulations also provide credit unions with the ability to exempt certain members from currency transaction reporting. The FinCEN guidance provides examples and FAQs regarding the final rule amending CTR exemption requirements issued by FinCEN in December 2008. The Regulatory Alert is available online at **www.ncua.gov** under *Resources/Regulatory Alerts.*

September 2009 peer average ratios are available—Peer average ratios for September 2009 data are available for single charter Financial Performance Reports (FPRs) via NCUA's website at **webapps.ncua.gov/ncuafpr/**.

CLF and CDRLF funded in spending bill

From the Hill

The Fiscal Year 2010 Consolidated Appropriations Act approved by Congress included two key provisions for credit unions.

The Central Liquidity Facility secured full lending authority for 2010, as prescribed by the FCU Act, allowing the CLF to continue to meet the liquidity needs of credit unions as necessary.

In addition, the appropriation for the Community Development Revolving Loan Fund was increased by $250,000 to $1.25 million to provide technical assistance to low-income designated credit unions to enhance services in disadvantaged communities. The funds are available through September 30, 2011.

HOUSE APPROVES REGULATORY REFORM LEGISLATION

In December the House of Representatives passed H.R. 4173, "The Wall Street Reform and Consumer Protection Act." The measure includes a number of provisions of interest to credit unions.

As approved by the House, the bill would establish a Consumer Financial Protection Agency (CFPA), a new independent agency devoted solely to protecting consumers from unfair financial products and services. Credit unions with under $10 billion in assets would continue to be overseen directly by NCUA, while those over $10 billion would be subject to examination and enforcement by the CFPA. However, the CFPA would have the authority to delegate all examinations to NCUA.

The bill also creates an interagency Financial Stability Council to monitor risk in the financial system. The NCUA Chairman would be a voting member of the Council. In a related provision, the bill establishes a dissolution fund to pay for the resolution of systemically significant, failing firms. Institutions with under $50 billion in assets would be exempt from paying into the fund.

The regulatory reform measure will be considered next by the Senate Banking Committee.

Chairman's Corner from page 2

Ability to serve

However, this does not mean approval will be automatic. Each credit union, whether applying under the old standard or the new, will need to demonstrate their ability to serve the community by completing business and marketing plans.

The proposed rule provides guidance on what we expect in these plans. The plans must demonstrate, in detail:

- How the credit union will serve the entire community;
- Unique needs of the community's demographic groups;
- Marketing strategies to reach each group—particularly the underserved;
- Partnership efforts with community-based organizations; and
- Increasing budget dollars dedicated to reaching new members.

In addition, after a community charter has been approved, each year—for three years—an NCUA regional office will verify that business and marketing plans are being followed.

Saving time and money

For all the right reasons, this proposed rule would dramatically improve the future process for credit unions applying for community charters, and it would improve the standards for NCUA to evaluate them.

Rather than trying to satisfy subjective criteria, credit unions could focus on how to satisfy new potential members.

Rather than trying to evaluate whether a community exists, NCUA could focus on evaluating the credit union's ability to serve that community.

In the process, this proposed rule would save credit unions, and NCUA, time and money.

Debbie Matz

FAQs from page 1

diversification of investments by identified market sectors. The rule establishes new standards and stress testing for evaluating and controlling credit risks and other market risks in investments. The rule limits the mismatch between average maturities of liabilities and assets. All these proposed changes, working together, are designed to allow corporates to operate in the future on sound footing with acceptable levels of income, and with assurance there can be no recurrence of the problems we currently face.

Will the restrictions on corporate investments keep them from earning enough money to cover their expenses?

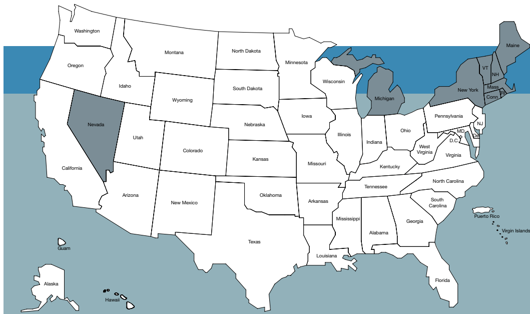
The rule is designed to balance the need to control risk with the need to realize sufficient earnings to sustain a successful business model. The preamble to the rule demonstrates this by explanation and example. Credit unions and other commenters should very carefully examine the restrictions of the rule and our discussion and explanation in the preamble, and let us know whether we have accomplished this objective.

Will corporates be able to rebuild their capital under the new rule?

The proposed rule provides a benchmark of 6 years for corporates to reach 100 basis points of retained earnings and 10 years to reach 200 basis points. We recognize that building retained earnings will take time, and this is an area where the proposed rule is responsive to what we heard at the town hall meetings. Member-contributed capital is the other critical component of corporate capital, and for that component individual natural person credit unions will decide what level of support to provide to the corporate system. To the extent that credit unions support the regulatory model that is being developed and value the services provided by the corporates, they will support the corporate system with contributed capital.

Does the proposed rule require natural person credit unions to contribute capital to their corporates?

No. That is a decision each natural person credit union should make for itself. Corporates will have the option, under the proposed rule, of requiring contributed capital as a condition of membership, but it is not required. And no credit union will be forced to join a corporate.



Region 1

2009 brought challenges, cooperation and consolidation

Although no region escaped widespread economic challenges this past year, NCUA took extraordinary efforts to ensure all regional offices shared their skills and talents to address the most difficult problem cases. During the 2009 budgetary planning process, the NCUA Board approved reassignment of caseloads. Alaska's supervision was reassigned to Region 2, the mid-eastern region, and Nevada's supervision was reassigned to Region 1, the northeastern region. (2010 regional realignments appear below)

Region 1 staff had previously experienced a significant economic downturn in the late 1980s and early 1990s, with collapse of the real estate market in New England and failure of the private credit union share insurer, Rhode Island Share and Deposit Insurance Corporation. Expertise and skills NCUA staff developed during this period proved critical in assisting credit unions address the economic stress now being experienced in Nevada.

Prior to the 2008 year-end transfer, regional staff conducted triage on all federally insured credit unions through the review of financial data, risk report information, examination report assessments, consultation with Region 5 management and staff, and discussions with George Burns, Commissioner of the Nevada Financial Institutions Division (FID) within the Department of Business & Industry. This provided regional management the ability to determine the most effective use of resources and assigned the most challenging cases to staff most skilled in problem resolution.

With the many issues faced by Nevada credit unions—high unemployment, significant decline in real estate values, and gambling and tourism being the primary economic driver—NCUA Region I staff, Nevada's FID staff and credit union officials worked together to determine the most effective problem resolution that would benefit credit union members and the National Credit Union Share Insurance Fund. For those credit unions where continued viability was in question, the officials initiated contact with potential credit union partners. With the continued deteriorating financial condition, NCUA staff solicited credit union partners throughout the nation. Staff focused on a credit union's ability to effectively serve members, strength of financial condition and net worth. Results provided opportunities for credit unions throughout the United States to expand their membership and enhance credit union service to members.

Although credit unions continue to face a moribund economy, concerned members and a stressed loan portfolio, progress continues to be made in ensuring the soundness of the credit union system within Nevada and throughout the country.

ALASKA AND CALIFORNIA SUPERVISION REALIGNED

NCUA Regions 2 and 5 began supervising federal credit union in the states of California and Alaska respectively effective January 1, 2010.

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